

## **Financing road improvements with existing revenues**

### **EHB 2894**

**The Problem:** Providing adequate funding to reduce traffic congestion and improve the state's roads and highways.

The state's roads, highways and rail corridors stand as the backbone to the state's economy. Without improvements to the most congested traffic areas, the state's economy and our own quality of life will begin to suffer. Construction projects are estimated to cost \$2.4 billion to relieve congestion and improve the movement of goods. However, revenues in the current transportation budget are not enough to fund the cost of construction. The Legislature faces the challenge of providing adequate funding. The Governor has proposed raising the gas tax by 11 cents. Republican legislators have proposed a different approach — one that funds the necessary projects without raising taxes.

**The Solution:** Using existing revenues to help fund transportation projects.

Legislators have passed a transportation funding package that finances \$2.4 billion in transportation projects, protects taxpayers from unnecessary tax increases and requires voter approval. This package provides a secure finance package for transportation projects by moving car-tax revenue from the general fund to the transportation fund. If voters approve this proposal, the taxes people pay for their license tabs will begin paying for roads.

#### **Package Components:**

- ▶ Moves Motor Vehicle Excise Tax (MVET) revenue from the general fund to the transportation budget. This is money people pay to license their vehicles.
- ▶ Provides money to finance \$2.4 billion in transportation projects. Authorizes up to \$1.9 billion in bonds.
- ▶ Includes a \$30 per-year cut in the car tax people pay to license their vehicles, beginning in July 1999. The tax cut totals \$257 million.
- ▶ Reduces the tax rate on new vehicles after one year instead of the current two years.
- ▶ Enhances funding for local governments to fight crime. Shifts local criminal justice funding from MVET revenue to the general fund. Also, increases the revenue distribution by 10 percent in 2000 and provides for annual increases thereafter based on population and inflation growth.
- ▶ Provides sales tax equalization money for cities lacking a large retail base.
- ▶ Enhances juvenile justice funding for distressed counties.
- ▶ Protects programs supported by the general fund, including education and other vital services by exempting the MVET shift from the spending lid..
- ▶ Requires voter approval in November, 1998.
- ▶ Re-enacts Initiative 601, the spending lid law, so it takes a 2/3rds vote of the Legislature to amend it or raise taxes for the next two years.